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Executive Board of the United Nations Development Programme and of the United Nations Population Fund

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Recommendations of the Board of Auditors

UNOPS: Report on the implementation of the recommendations of the Board of Auditors for the biennium 2002-2003*

Summary

As requested by the Executive Board in its decisions 97/2 and 97/3, the report of the United Nations Office for Project Services (UNOPS) on the implementation of the recommendations of the United Nations Board of Auditors for the biennium 2002-2003 (A/59/5/Add.10) are submitted at the current session.

This report provides information on follow-up measures being taken by UNOPS in response to the recommendations contained in the report of the Board of Auditors.

The Executive Board may wish to take note of the report on the implementation of the recommendations of the United Nations Board of Auditors for the biennium 2002-2003.

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* The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

I. UNOPS response to the United Nations Board of Auditors

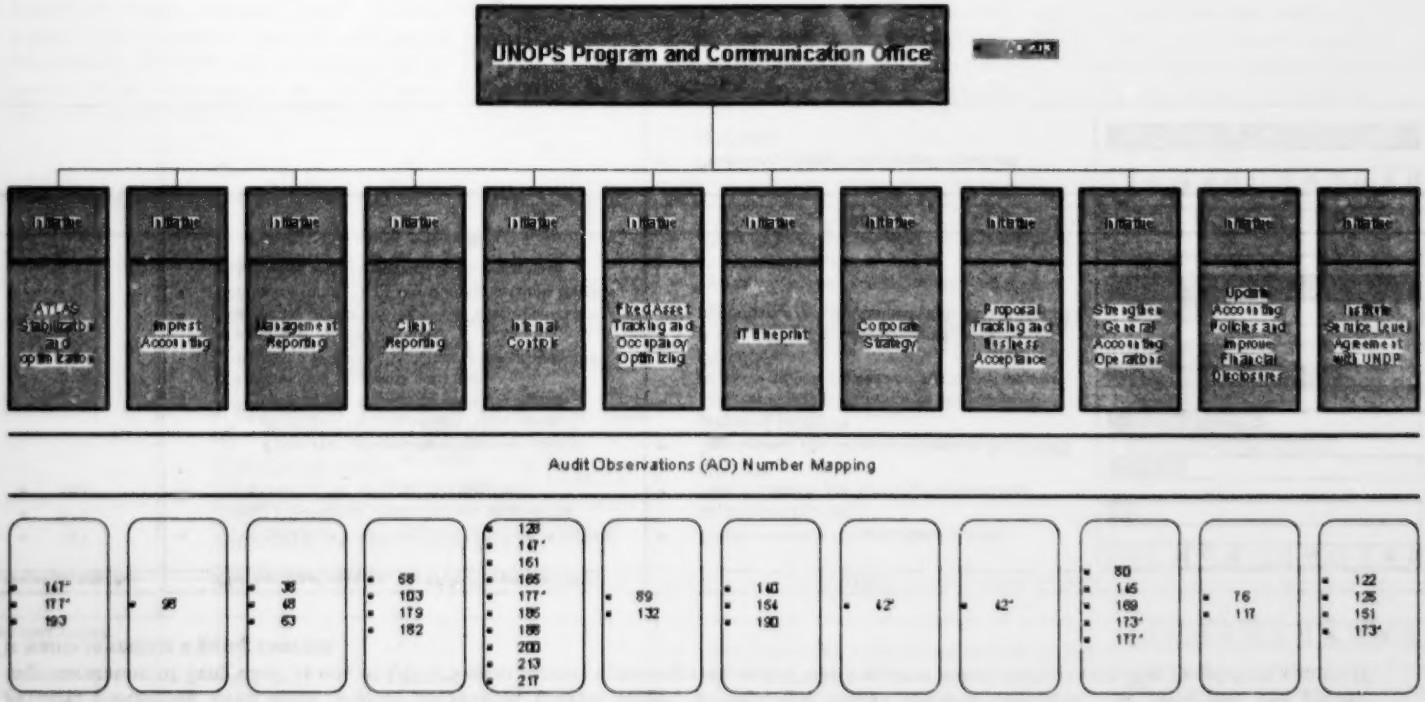
Introduction and background

1. UNOPS is a self-financing service provider. The transparent, accountable and efficient provision of services is UNOPS raison d'être. UNOPS has developed a comprehensive management plan to respond to the recommendations of the United Nations Board of Auditors for the 2002-2003 biennium. The management plan is structured and detailed so as to facilitate monitoring of remedial progress achieved in addressing the 38 audit observations, which are listed in annex 3.

2. The management plan (see annex 2) is designed to: (a) ensure that UNOPS financial statements fairly present, in all material respects, the organization's financial position, the results of its operations, and its cash flows in conformity with accounting principles generally accepted in the United Nations system; (b) repair material weaknesses in internal controls; (c) build necessary business infrastructures and architectures; (d) ultimately, ensure UNOPS continued financial viability.

3. UNOPS management is committed to addressing the underlying problems highlighted in the audit observations. UNOPS management used the audit observations to create a comprehensive action plan amenable to ongoing management monitoring of progress achieved. The plan comprises a series of initiatives. These are summarized in annex 1, which maps each audit observation to its corresponding initiative. The initiatives, key deliverables and corresponding target dates are detailed in annex 2. Some of the plan initiatives address multiple audit observations while others focus on one particular audit observation. The corporate turn-around initiatives presented to the Executive Board at its annual session in June 2004 in document DP/2004/23 are incorporated into the current initiative framework.

Annex 1. Crosswalk between audit observation initiatives and audit observation

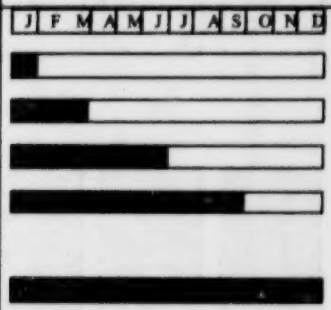
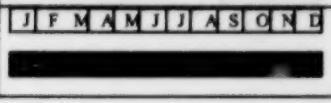


* *Recommendation relates to two or more initiatives*

Annex 2. Management plan: Key deliverables and target dates

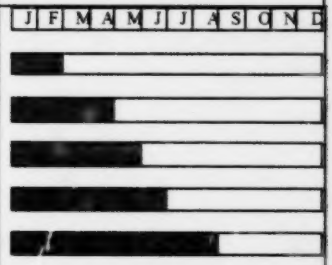
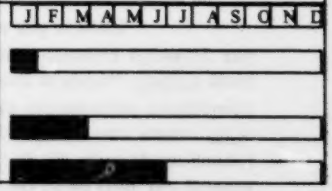
Initiative: Atlas stabilization and optimization

4. PeopleSoft/Atlas is currently UNOPS core financial management system. This system supports UNOPS accounts receivable, accounts payable, purchasing fixed asset, project accounting, general ledger, payroll, and human resource functions. The instability and partial implementation of PeopleSoft is one of UNOPS most serious operating risk, and UNOPS must stabilize and optimize the PeopleSoft system if it wants to remain a going concern.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 147 • 177 • 193	• Developed Brio interim reporting solution to support Project Expenditure Detail Reports pending the finalization of the Atlas payroll interfaces • Completed conversions: o Prior-year unliquidated obligations (ULOs) o Prior-year General Ledger (G/L) balances • Developed guidelines and standards to support production and Help desk activities • Generated a Remedy Help Desk solutions database accessible to all UNOPS staff • Planned the implement the UNOPS Reorganization • Conducted three (3) 5.5 day training sessions for new and existing staff on updated Atlas procedures	• Human resources reorganization in Atlas implemented (1/1/05) • Fully functional general ledger implemented (3/31/05) • Trial balance and financial statements for UNOPS generated (6/30/05) • Training plan that incorporates functional with technical aspects created and training of trainers (9/30/05) • A robust Help Desk implemented (tracking and performance metrics, trained staff, etc.) (12/31/05)	
		2006	
		• Production support environment optimized (12/31/06)	

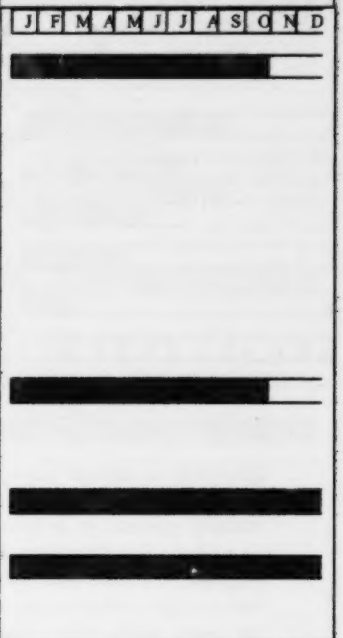
Initiative: Imprest accounting

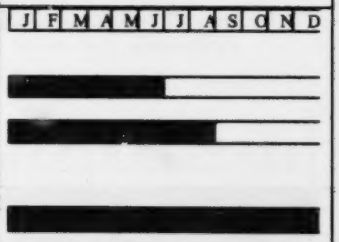
5. Approximately 48 per cent of UNOPS cash disbursements ($180 million of $375 million project delivery – 2004 "most likely" case) are made via its imprest accounts. These imprest accounts are *currently* outside of the PeopleSoft accounts payable and treasury applications. Because these cash disbursements are not immediately recorded in PeopleSoft, client reports and UNOPS revenue numbers, generated from the PeopleSoft system, are understated. Properly processing and reconciling the imprest accounts, therefore, are a key input into the creation of accurate and complete financial management reports and client reports and is a critical element of UNOPS system of internal control. Additionally, UNOPS received a disclaimer on its 2002-2003 cash balances for failing to reconcile the imprest bank account statements to the general ledger on a regular and timely basis. Judiciously using the imprest account in a well controlled, cost-efficient manner is absolutely essential and an organizational imperative.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 98	• Moved imprest operation from Kuala Lumpur to New York (June to Aug 2004) • Inventoried all 2004 records and notified imprest holders of changes (July – Sept 2004) • Replenished $167 million for UNOPS 79 active imprest accounts the 11 months ended Nov 30, 2004 • For the period January to October 2004, examined (60%) of UNOPS 79 active accounts and posted/recorded 50% of the disbursements in the PeopleSoft (e.g., $85 million) • Hired team of 15 staff (special service agreements (SSAs) and fixed term) working an average of 10 hours per day plus one weekend day to examine and record 2004 data • In process of transferring 2002-2003 detailed records and bank statements to New York; clearance obtained from Governments of Malaysia and ThailandHired overall Imprest Team Leader.	• 2004 imprest disbursements in PeopleSoft/Atlas recorded (2/28/05) • Interface between PeopleSoft A/P and imprest articulated (4/30/05 • 2004 bank accounts to G/L reconciled (5/31/05) • 2002 and 2003 bank accounts to G/L reconciled (6/30/05) • Revised strengthened imprest account policy in place (8/31/05)	
		2006	
Imprest accounting contd.		• 2005 imprest cash disbursements recorded (1/1/06) • Better controlled, more cost effective imprest system/cash disbursement process implemented (3/31/06) • Bank account reconciliations on a one month time lag performed (6/30/06)	

Initiative: Management reporting

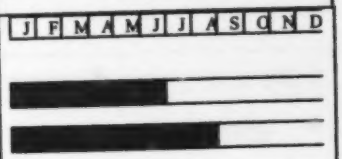
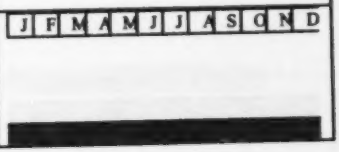
6. The external auditors opine on the fair presentation of UNOPS financial statements. These financial statements are prepared from the general ledger. Currently, UNOPS Finance makes a series of assumptions and uses a work around solution leveraging SQL (programming language) databases, Excel spreadsheets, and macro formulas to generate enterprise-wide and division level revenue and expenditure statements. This work around effort is extremely time consuming, very labour intensive, and requ ires highly skilled financial and information technology resources. In addition to automating this process by ensuring clean data and properly leveraging of the Atlas' reporting modules, UNOPS must also focus on understanding its costs better, developing new pricing modalities, creating and implementing business-oriented planning and budgeting methodologies (Initiative 6), and using financial outcomes to hold managers accountable for their decisions and actions.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 38 • 48 • 63	• Determined project ownership, after human resources restructuring, paper in July/August • In process of updating project ownership in PeopleSoft, UNOPS definitive financial management system • Leveraged client reporting and Atlas team work on project expenditure reports • Created queries to extract data from Brio Reports into an SQL database • Created macros in Excel to model the year-to-date (YTD) revenues associated with each project based on various pricing methods • Created queries to extract administrative cost information into "old" department structures • Properly classified change initiatives into proper projects (with PeopleSoft numbers) to accurately track costs • Based on anomalies cited from the cobbled together management reports, identified significant data quality issues • Issued detailed instructions to project managers to cleanse and properly classify their project data • Planning and Budgeting Advisory Committee (PBAC) created to set calendars and review budget proposals • Developed some standard costs and templates for the 2005 budget exercise • Received and compiled initial 2005 revenue and cost budgets; review and analysis on-going • Hired key staff.	• Complete and accurate monthly financial management reports generated (10/31/05) which contain: o UNOPS-wide and division budgeted and actual revenues and expenditures o UNOPS wide fund balance roll forward o Contingent liabilities o Sales pipeline – in the aggregate and by division o Headcount/positions • Performance management and financial analytical capability to support fact based decision making, vet investment decisions, and conduct net present value (NPV) analyses created (10/31/05) • Improved business oriented planning and budgeting tools, methodologies, and practices implemented (12/31/05) • Indirect cost allocation method designed (12/31/05) • Standard product and service bundles designed and agreed upon- which will be costed and priced (12/31/05)	

		2006	
Management reporting		• Cost of standard product and service bundles calculated (variable and fully loaded) (6/30/06) • Pricing terms and conditions for standard product/service determined (8/31/06) • Standard processes for vetting the profitability of each product and service bundled designed and implemented (12/31/06)	

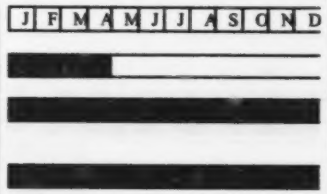
Initiative: Client reporting

7. Complete, accurate, timely and relevant project reports are critical in the client service delivery process. Currently, UNOPS is experiencing enormous difficulty generating the nearly 3 100 project-level client reports cost-effectively and efficiently. Clients are also demanding real-time, multi-dimensional information. To remain competitive and satisfy clients now, UNOPS must improve the quality of these *contractually obligated* client reports. Accurate, complete, timely reports will also help to mitigate the risk of project cost overruns and other internal control weaknesses mentioned by the external auditors in their 2002-2003 report.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 58 • 103 • 179 • 182	• Created short-term, workaround solution to issue "preliminary" detailed project reports by July 31, 2004 (Brio Reports) • Re-organized finance unit to better leverage existing skill sets and meet regulatory and client needs • Created dedicated teams to expedite the issuance of needed client reports – highly cost ineffective and inefficient but only available solution available given lack of resources	• Project delivery reports and other client reports for fiscal year 2004 produced (6/30/05) • New client report generation process designed (8/31/05)	
		2006	
		• Re-engineered client reporting process so that reports generated – faster, cheaper, better successfully implemented (more accurate and complete and multi-dimensional) (12/31/06)	

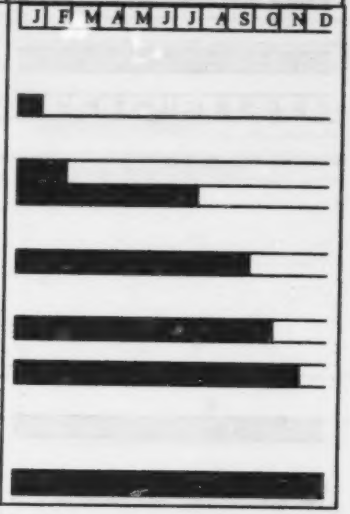
Initiative: Internal controls

8. UNOPS has been cited for failing to follow standard procedures for internal control. Along with its implementing partners, UNOPS internal control environment has been adversely impacted by the introduction of PeopleSoft. Some of these internal control issues have temporarily been exacerbated by UNOPS change management decision to reorganize its structure to bring services closer to clients.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	J F M A M J J A S O N D
• 128 • 147 • 161 • 165 • 177 • 185 • 188 • 200 • 213 • 217	• Audit Committee established; first meeting held. • List control violations presented to Executive Director for his immediate action, as they become available – including reporting relationships, authorities, and risk and control issues • Conducted, in conjunction with PeopleSoft training, a special course on internal controls. Internal control framework study underway and jointly staffed by internal audit and UNOPS Finance; study uses Committee of Sponsoring Organizations of the Treasury Commission (COSO) framework. Disseminated COSO questionnaire on internal controls to 70 UNOPS employees • In process of compiling questionnaire results • UNOPS Chief Financial Officer (CFO), controller, and Atlas Team Leader participating in internal control system via Technical Advisory Programme (TAP) with UNDP and UNFPA.	• Audit committee charter updated; Committee members oriented (4/30/05) • Audit on 2002 to 2004 imprest records conducted (12/31/05) • PeopleSoft control framework – with other PeopleSoft/Atlas implementation partners implemented (12/31/05)	
		2006	
		• The control environment routinely reviewed and updated (12/31/06) • Assessment conducted to ensure that controls are working as intended and are still cost effective (12/31/06) • Training conducted, as required (12/31/06) • Continue to actively participate in TAP and other joint United Nations agency task forces on fraud, controls, and risk management	

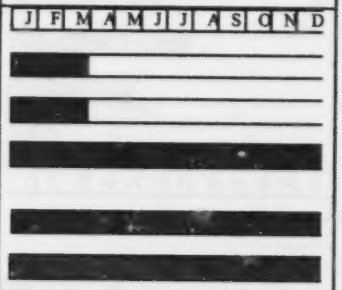
Initiative: Fixed asset tracking

9. UNOPS received a disclaimer on its 2002-2003 financial statements for failing to properly tag and inventory its fixed assets or "non-expendable" assets. To rectify this internal control weakness, UNOPS must properly tag its fixed assets in both headquarters and its field offices. This initiative also covers audit observation 132, relating to optimization of occupancy costs in the Chrysler Building.

Audit Recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 89	• Inventoried and tagged fixed assets in UNOPS headquarters location – Chrysler Building • Moveable assets etched with office, room/location number • Conference room furniture etched with office number and location	• Responsibility with authority for fixed asset tagging and tracking aligned – to be under the direct and exclusive responsibility of the CFO – not client services (1/31/05) • Regional office fixed asset inventory, tracking and tagging directions created (2/28/05) • Fixed assets tagged (7/31/05) • Process and time frame created to conduct annual fixed asset inventory – verification process (9/30/05) • Responsibilities and timeframe to clearly assigned record fixed assets in the subsidiary ledger and the G/L (10/31/05) • Fixed assets in subsidiary ledger recorded (11/31/05)	
• 132	• Chrysler Building: space allocation rationalized; space leased to United Nations tenants, with rental income generated	• Chrysler Building: Further space rationalization achieve to increase rental income generated from expanded United Nations tenant base (12/31/05)	

Initiative: Information technology blueprint

10. UNOPS currently employs some 300 staff on its "administrative budget" and over 4 500 personnel on project budgets. A reliable, secure and cost effective information and communications technology (ICT) platform is imperative. PeopleSoft v. 8.4 and 8.8 (finance and human resources, respectively) are Web-enabled. To ensure the integrity of this Internet-based platform, UNOPS must strengthen its firewalls and increase the robustness of its technical platform.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 140 • 154 • 190	• Established an ICT Advisory Board (ICTAB) and ICT Steering Committee (ICTSC) to streamline the introduction of new ICT initiatives in UNOPS • Conducted two meetings and reviewed two requests presented to the ICTAB • Created firewall security in the New York, Copenhagen and Geneva offices • Created a test lab and completed the testing the new infrastructure to strengthen the ICT platform • Successfully proved concept of the design of the proposed new ICT email and Internet platform	• Firewalls in the Bangkok, Dakar and Nairobi offices implemented (3/31/05) • Stand-alone office ICT security services implemented(3/31/05) • An enterprise-wide, fully redundant e-mail system implemented (12/31/05 – subject to funds availability) • A homogenous, streamlined, redundant Network operating system implemented (12/31/05) • Firewall security and user authentication implemented (12/31/05)	

Initiative. Corporate strategy

11. Corporate strategy is not a theoretical exercise but one designed to clearly articulate how UNOPS can offer products and services to meet client needs and ensure the sustainability of its operations. Clearly, the market is not uniformly responding to UNOPS current service offerings, value propositions and operating models. UNOPS management, therefore, must: (a) create a compelling vision of its future; (b) prove that this vision of the future results in long-term profitability; and (c) obtain buy-in for this strategy from key stakeholders and constituents.

12. Developing and executing/migrating to a new strategy take time – *typically 12 to 36 months*. Therefore, if the new strategy is proven financially and politically feasible, existing capabilities must be strengthened in the shorter term to continue to generate cash flow. Articulating and testing of the corporate strategy is the first step to future decisions on:

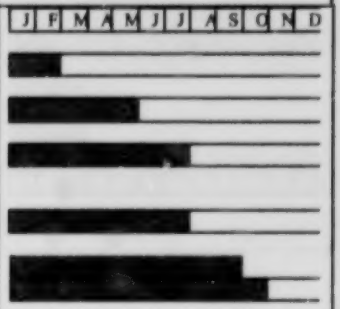
(a) Determining UNOPS service locations;

(b) Designing and implementing business processes;

(c) Determining/updating operating policies;

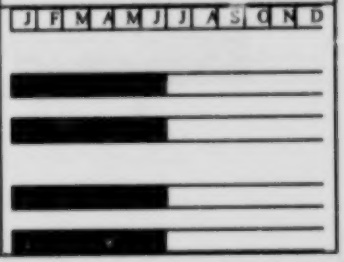
(d) Designing and implementing the ICT architecture (application, information and technical);

(e) Implementing the human capital model (e.g., roles and responsibilities, competencies, culture, and metrics).

Audit recommendation	2004 Accomplishments (as of November 30, 2004)	2005	
• 42	• Macro aid environment scan conducted • Analysis of United Nations trends completed • Analysis of current business acquisition trends conducted • Staff consultations conducted • Senior Management Team (SMT) retreat reviewing UNOPS service line options conducted • Select client consultations conducted • Macro strategy paper drafted for Management Coordination Committee (MCC) and Board review	• Macro strategy paper finalized (3/31/05) • Work plan for strategy operationalization developed (5/31/05) • Draft operational plan submitted to Executive Board (7/31/05) • Macro environment scan capacity for on-going strategic analysis in place and functional on the UNOPS intranet (7/31/05) • Draft operational plan reviewed by Executive Board (09/12/05) • Communications policy specified (10/31/05)	

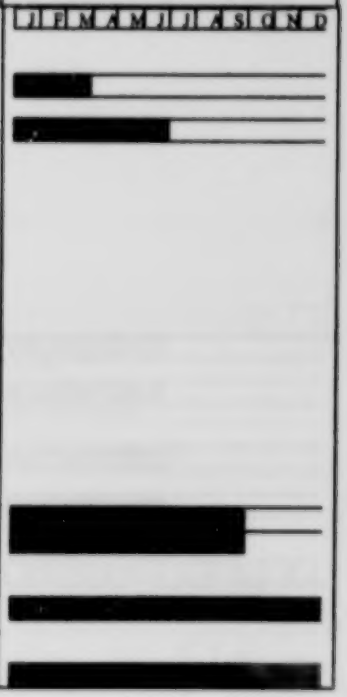
Initiative: Proposal tracking and business acceptance

13. To remain financially viable in the short term, UNOPS must continue to seek and win new business. However, only profitable business should be accepted and the acceptance process should be streamlined and made more cost efficient.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	2005 J F M A M J J A S O N D
• 42	• Created a Project Team and Work Plan • Approved the Work Plan • Reviewed the current project acceptance process and project acceptance tracking process	• A well-defined criteria created for accepting project which leads to better decision-making (6/30/05) • Improved project pipeline tracking reports designed and disseminated (6/30/05) • A methodology for estimating the time and effort it takes to complete projects by project type developed (6/30/05) • Project management tool kit created (6/30/05)	

Initiative: Strengthen general accounting operations

14. Efficient and effective daily, monthly, quarterly and annual accounting operations are a "must have" capability. Currently, routine reconciliations (payroll to the general ledger, bank statements to the general ledger), standard quality assurance reviews (accrual entries, reclassifications, etc.) and other activities that indicate a well-controlled and well-functioning environment are not performed or are not performed regularly. To be open for business and stay in business, UNOPS must strengthen its general accounting operations.

Audit recommendations	2004 Accomplishments (as of 30 November 2004)	2005	J F M A M J J A S O N D
• 80 • 145 • 169 • 173 • 177		• Current monthly, quarterly, and annual accounting operating activities reviewed (3/31/05) • Financial calendar of events and responsibilities established (6/30/05) and ensure that calendar of events addresses the following audit observations: o Reconciling payroll to G/L (#80) o Asking internal audit to verify journal entries (#145) o Creating the general ledger and insuring its integrity (#169) o Ensuring UNDP is performing bank reconciliations on behalf of UNOPS on a timely basis (#173) o Changing PeopleSoft permissions to ensure that payee details cannot be changed after the voucher is approved (#177) • Finance staff and UNOPS staff educated, at large, regarding finance's responsibilities and authorities and other unit's responsibilities and authorities (9/30/05) • Job descriptions updated (9/30/05) • Workload and organizational responsibilities distributed to ensure calendar of events is maintained (12/31/05) • Training, in conjunction with PeopleSoft, on controls and roles and responsibilities conducted (12/31/05)	

Initiative: Update accounting policies and improve financial reporting disclosures

15. Currently, United Nations organizations are actively discussing the following critical accounting policy issues:

(a) *Bases of accounting* – Financial statements are currently prepared on a modified accrual basis. Many United Nations entities recommend a full accrual basis of accounting;

(b) *ASHI payments* – After Service Health Insurance (ASHI) is accounted for on a "pay-as-you-go" basis rather than an accrual basis; additional issues relate to the "population" covered under ASHI and liability ownership;

(c) *Entitlements* – The need to accrue for various entitlements such as education grants, home leave, end of service, and other non-recurring entitlements, and over what time period, is currently being debated;

(d) Environmental and social reporting implementation;

(e) *Number and type of disclosures* – to ensure that the financial statements are transparent and fairly present the results of operations.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 76 • 117	• Chief Financial Officer participated in joint United Nations agency task force and monthly meetings on changing policies outlined in the United Nations Stand-by Arrangements System (UNSAS)	• Change in policy proposals reviewed and impact on UNOPS business and financial statements evaluated (e.g., increase in cost of project services; pass through to clients, etc.) (12/31/05)	J F M A M J J A S O N D
		2006	
		• Change in policy proposals reviewed and impact on UNOPS business and financial statements evaluated (e.g., increase in cost of project services; pass through to clients, etc.) (12/31/06) • Changes as of agreed upon date implemented (12/31/06)	J F M A M J J A S O N D

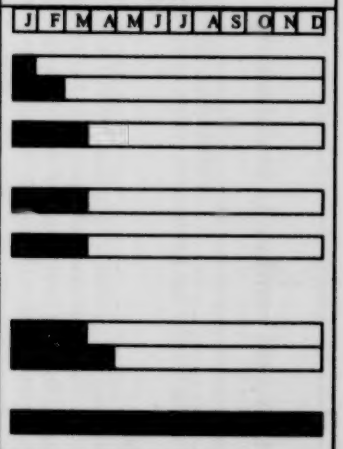
Initiative: Institute service-level agreements

16. In 2004, UNOPS projects to pay UNDP $3.5 million for services rendered in connection with designing, implementing and running of PeopleSoft. Assuming an annual expenditure base of $44 million, Enterprise Resource Planning (ERP) system expenditure represents 8 per cent of UNOPS ongoing costs. If a six-year time horizon and an interest rate of 2 per cent are used, the net present value (NPV) of UNOPS payment to UNDP for designing, building and running the system until 2010 is $19.6 million. Currently, UNOPS cost sharing algorithm is based on the size of its administrative expenditure budget and headcount. This algorithm results in UNOPS absorbing approximately 10 per cent of the annual cost of PeopleSoft. UNOPS must create a service level agreement (SLA) for PeopleSoft that allows the organization *greater predictability and control over these ICT costs*. Additionally, for proper risk mitigation and cost containment, UNOPS must also improve the SLAs currently in place with UNDP for other services provided, such as payroll, treasury and country office level transaction processing.

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	
• 122 • 125 • 151 • 173	• Identified/obtained existing agreements with UNDP • Obtained proposed SLA between UNDP and UNFPA regarding PeopleSoft • Entered into preliminary discussions with Accenture about outsourcing the drafting of SLA for PeopleSoft and other services	• SLA between UNDP and UNOPS created covering regulation of functions between the two which includes PeopleSoft, treasury, country office services, human resources and financial accounting services (12/31/05)	J F M A M J J A S O N D

Initiative: Programme and Communication Office

17. UNOPS prior change efforts have been less than optimal because the organization embarked on doing too many things simultaneously. In audit observation 203, the external auditors noted such practices and advised UNOPS management to "perform a cost-benefit analysis for the recommendations made by the strategic advisory groups in order for the change management initiatives to be measured against a substantiated budget and to track the value generated by the change management process".

Audit recommendation	2004 Accomplishments (as of 30 November 2004)	2005	2006
• 203	• Created overall audit observation related and non-audit observation programme budget – all projects set up in PeopleSoft • Created high-level project proposals for all corporate turnaround initiatives • Created high level project proposals for all priority audit observation initiatives • Prioritized audit observation initiatives • Audit observation initiatives created and integrated with ongoing corporate turnaround activities • Designed and completed audit observation initiative status report and initiative charter for all audit observation initiatives as of 30 November 30 2005 • Created presentation on audit observation actions	• Initiative team leader meetings instituted and conducted weekly (1/31/05) • Detailed work plans inventoried (2/15/05) • Detailed work plans integrated into the master program plan (3/15/05) • Risk and monitoring mechanisms created and implemented (time, quality, scope, cost) (3/31/05) • Project benefits quantified and tracked (3/31/05) • Exception reports and audit trail for "project budget increases and/or revisions" produced • On-going communication plan developed (3/31/05) • Communication plan implemented (4/30/05) • Lessons learned from implementation of change programme and implement take-aways codified (12/31/05)	

		2006	J F M A M J J A S O N D
Programme and Communication Office		• Weekly initiative team leader meetings conducted (12/31/06) • Time, quality, scope, cost of each initiative monitored (12/31/06) • Project benefits tracked and quantified (12/31/06) • Exception reports and audit trail for "project budget increases and/or revisions produced (12/31/06) • On-going communication to constituents disseminated (12/31/06) • Lessons learned from implementation of change programme and implement take-aways codified (12/31/06)	[redacted]

Annex 3. United Nations Board of Auditors 2002-2003 audit observations

	Number	Audit observation – summarized
1	38	Exercise caution in budgetary assumptions and delivery projections to ensure that realistic targets are established.
2	42	Continue to review UNOPS medium-term strategy in a comprehensive manner, including such elements as an analysis of the variables related to business from UNDP, with a view to aligning its project delivery approach. Also fully explore all potential business acquisition possibilities and alternate sources of funding, given the changes in mandate effective.
3	48	(i) Evaluate the basis and calculation of the cost of services, with a view to ensuring that all costs are identified and recovered; (ii) implement a system that addresses all shortcomings identified in the existing workload system; and (iii) consider the feasibility of using a fixed minimum margin to be able to better control fluctuations in cost recovery rates, while ensuring it remains cost-effective.
4	52	Carefully consider the potential impact prior to any further reductions in the number of employees, as this may not only impact its ability to meet project delivery needs, but also a further loss of skills and resources may negatively impact its ability to comply with finance and administration requirements.
5	58	Remain focused on preparing budgets and revisions thereto on a basis that is more in line with realistic project delivery.
6	63	(i) Monitor and track all the variables impacting on the going concern assumptions; and (ii) agree with the Executive Board on a timeframe for rebuilding of the operational reserve.
7	76	(i) In conjunction with the Administrations of the United Nations and other funds and programmes, review the funding mechanism and targets for end-of-service and post-retirement benefits liabilities; and (ii) expedite its consideration of funding the end-of-service liabilities, given its unique funding principles.
8	80	(i) Reconcile the payroll to the general ledger on a regular basis to ensure all payroll costs has been correctly allocated; (ii) certify the reconciliations at an appropriate level of seniority as proof of review; and (iii) make specific year-end and bienniumend closing arrangements to validate differences.
9	89	(i) Update inventory records for all decentralized offices and reconcile all movements with the appropriate additions and disposals; (ii) mark all UNOPS inventory items with a uniquely identifiable inventory number or serial number; (iii) conduct inventory counts at regular intervals; and (iv)ensure that valid, accurate and complete opening balances are included in Atlas.
10	98	Take immediate actions to (i) perform reconciliations for all imprest, inter-office voucher and inter-fund accounts; (ii) investigate and resolve all reconciling items;(iii) quantify the reconciling items and projections; (iv) process the resulting adjustments; and (v) implement measures to prevent a recurrence of similar failures in controls, including to adequately train staff.
11	103	(i) Take immediate steps to identify all excess expenditures; (ii) solicit additional budget approvals from clients to cover the excess expenditure; (iii) report unfunded deficits as well as the impact on UNOPS financial position to the Management Coordination Committee; and (iv) evaluate controls with regard to project budgets as part of the Atlas business process analysis, to ensure that proper monthly review of project budgets and expenditure are completed.
12	117	(i) Consider the disclosure of items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In this regard, UNOPS should revert to paragraph 6 of

		General Assembly resolution 57/278, since better disclosure would be a step toward taking a proactive approach to the review requested by the General Assembly; (ii) continue to improve the presentation and disclosure of financial statements; and (iii) disseminate any key improvements to other United Nations organizations.
13	122	In consultation with UNDP, expedite the finalization of the memorandum of understanding to regulate the functions of central services provided by UNDP. Furthermore, UNOPS, in consultation with UNDP, should compile and finalize the service level agreements clearly setting out the respective functions and responsibilities. Resources may negatively impact its ability to comply with finance and administration requirements.
14	125	In consultation with UNDP, ensure that the Atlas (wave II) implementation agreement with UNDP: (i) clearly defines the scope of the agreement and cost structure; and (ii) limits it potential liability for consequential costs incurred by UNDP for which UNOPS is not directly responsible.
15	128	Arrange for internal oversight coverage on financial procedures, controls and data.
16	132	(i) Enter into formal negotiations with the objective as soon as possible to exceed the 25 per cent sub-lease limit; (ii) develop a policy to manage the rental of the unutilized space; and (iii) perform a cost-benefit analysis of continuing with the current lease agreement.
17	140	(i) Develop an information and communication technology (ICT) strategic plan; (ii) consider creating an ICT steering function/committee; and (iii) consider the benefits of adopting international standards and best practices to be applied to its ICT environment.
18	145	Ask UNOPS internal audit to verify the validity and accuracy o f journals posted as a result of the data cleaning exercise.
19	147	Identify all changes in the Atlas system since the previous training and provide updated training to users on such changes.
20	151	In consultation with UNDP and UNFPA, establish a serv ice level agreement with the service centres, identifying minimum standard requirements regarding the number of cases handled, and the time used to resolve problem cases should be established.
21	154	In conjunction with UNDP, should expand its contingency measures to ensure the ability to continue to provide information system processing capabilities in the event that the major facilities are not available for a significant period of time.
22	161	In conjunction with UNDP and UNFPA, initiate an independent comprehensive post-implementation evaluation of the set-up and effectiveness of the built-in internal controls of the Atlas system as soon as possible.
23	165	Compile, approve and disseminate to all staff an overall internal control framework to all staff that covers all modules of Atlas as a matter of priority.

24	169	Considering that it is responsible for its own general ledger, in conjunction with UNDP, intensify its efforts to resolve the limitations on the general ledger module as a matter of priority.
25	173	(i) Include appropriate terms and conditions addressing bank reconciliations in the service level agreement with UNDP for treasury services; and (ii) closely monitor cash transactions processed by UNDP, on its behalf, until the reconciliations are in place.
26	177	In conjunction with UNDP, take immediate steps to rectify the weakness in Atlas that allows changes to payee details after the payment voucher has been approved.
27	179	In conjunction with UNDP, ensure that payments split between two or more budget holders are approved by both budget holders before payment takes place.
28	182	Institute alternate controls until the correct budgets are reflected in Atlas to manage project cost.
29	185	In conjunction with UNDP, expedite its efforts to develop and put into operation all exception/monitoring reports.
30	188	In conjunction with UNDP, reconsider activating of the audit trail function, taking into account the benefits and affect it would have on the operations of Atlas.
31	190	Implement firewall security at all UNOPS decentralized offices.
32	193	In conjunction with UNDP, urgently allocate resources to resolve the shortcomings identified with Atlas as soon as possible, especially those classified as critical.
33 34	200 203	Strictly comply with its procurement directives on engaging consultants. Perform a cost-benefit analysis for the recommendations made by the strategic advisory groups in order for the change management initiatives to be measured against a substantiated budget and to track the value generated by the change management process.
35	207	Identify the organizational as well as individual training requirements with the aim to developing a training plan, backed by an adequate amount of resources.
36	210	Ensure that staff members sign the acceptance of appointment letter for all appointments of limited duration (ALD), and that copies are kept in a central location for future reference.
37	213	In conjunction with UNDP and UNFPA, intensify its efforts to finalize the fraud prevention strategy and fraud policy statement.
38	217	(i) In consultation with UNDP, amend the fraud prevention policy to include reference to UNOPS; or alternatively, a separate addendum should be prepared for formal approval by UNOPS; (ii) make the draft policy available for comment within UNOPS prior to finalization; and (iii) arrange for fraud investigations on areas where the risk or assessment of fraud is high.